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Agricultural Situation

Introduction to EU Institutions

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Report Highlights:
This report aims to provide the reader with an overview of the main institutions of the European Union.

Includes PSD Changes: No
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The European Union

Background

The European Union (EU) is a union of twenty-seven independent states based on the European Communities. The European Communities was the name given collectively to the European Economic Community (EEC), the European Atomic Energy Community (Euratom) and the European Coal and Steel Community (ECSC). The Treaty on European Union (The Mastrich Treaty) which entered into force in November 1993 turned the European Communities as a whole into the first of three pillars of the EU, known as the Community Pillar. The Community Pillar concerns economic, social and environmental policies. The second pillar of the EU is the Common Foreign and Security Policy (CFSP) which concerns foreign policy and military matters. The third pillar is the Police and Judicial Co-operation in Criminal Matters (PJCC), originally known as Justice and Home Affairs, and concerns co-operation in the fight against crime.

Membership

Any European country can legitimately apply to join the European Union provided it has a stable democracy that guarantees the rule of law, human rights and the protection of minorities. It must also have a functioning market economy and a civil service capable of applying EU laws. Once a membership treaty is agreed, it must be ratified by the European Parliament and by the national parliaments of the candidate country and of all EU Member States.

Membership of the EU has developed as shown below (the number of votes currently allocated to each Member State appears in parenthesis):

1952 Belgium (12) , France (29), Germany (29), Italy (29), Luxembourg (4), Netherlands (13)
1973 Denmark (7), Ireland (7), United Kingdom (29)
1981 Greece (12)
1986 Portugal (12), Spain (27)
1995 Austria (10), Finland (7), Sweden (10)
2004 Cyprus (4), Czech Republic (12), Estonia (4), Hungary (12), Latvia (4), Lithuania (7), Malta (3), Poland (27), Slovakia (7), Slovenia (4)
2007 Bulgaria (10), Romania (14)

Main EU Institutions

Members of the **European Parliament** are elected every five years by EU citizens. The present Parliament was elected in June 2004 and has 785 members. Members of the European Parliament (MEPs) do not sit in national blocks, but in seven EU-wide political groups. The largest of these are the center-right European People's Party (Christian Democrats), the Socialists, the Liberals and the Greens. Parliament's plenary/voting sessions are held in Strasbourg, with committee meetings taking place in Brussels. As with all other EU institutions, it works in all 23 official EU languages. Parliament's main job is to pass EU legislation, sharing this responsibility with the Council of the European Union, the proposals for new legislation drafted by the European Commission. Parliament and the Council also share joint responsibility for approving the EU's euro 100 billion annual budget. Parliament has the power to dismiss the European Commission. Hans-Gert Poettering (Christian Democrat/Germany) is the current President of the European Parliament.

The **Council of the European Union**, formerly known as the Council of Ministers, shares responsibility with the Parliament for passing laws and taking policy decisions. It also has the main responsibility for common foreign and security policy and some justice and freedom issues. The Council is made up of Ministers from the national governments of all EU Member States. Up to four times a year the Presidents and/or Prime Ministers of the Member States meet as the European Council. These 'summit' meetings set overall EU policy. The Presidency of the Council is held for six months by each Member State on a rotating basis. The Council has its seat in Brussels, but holds its meetings in Luxembourg in April, June and October. Meetings can be held elsewhere by a unanimous decision of the Council. Germany holds the Presidency the Council for the first half of 2007 with Portugal taking over for the second half of the year. Slovenia and France will preside for the first and second halves of 2008 respectively.

The **European Commission** represents the interests of the EU as a whole, and is independent of national governments. It drafts proposals for new EU laws, which it presents to the European Parliament and the Council. It manages the daily business of implementing EU policies and spending EU funds. The Commission also monitors compliance with EU treaties and laws, and can act against rule-breakers by taking them to the Court of Justice. The Commission consists of 27 Commissioners, one from each Member State, and is assisted by some 24,000 civil servants, most of whom work in Brussels. The President of the Commission is chosen by EU governments and endorsed by the European Parliament. The current President is Jose Manuel Barroso (Portugal). The other Commissioners are nominated by their national governments in consultation with the in-coming President, and must be approved by the Parliament. They do not represent the governments of their home countries, but rather have responsibility for a particular EU policy area. The President and the Members of the Commission are appointed for a period of five years, coinciding with the period for which the European Parliament is elected.

The other EU institutions are the **Court of Justice**, the **Court of Auditors**, the **European Economic and Social Committee (EESC)**, the **Committee of the Regions (CoR)**, the **European Central Bank** and the **European Investment Bank**.

<u>Economy</u>

The population of the EU stood at around 492.852 million as of January 2006. GDP in 2005 reached 10,948.588 billion euros ($14,900,000 billion at current exchange rates). Germany has the largest economy in the EU, followed by the UK, France and Italy. EU GDP is estimated to increase by 2.4 percent in 2007. Inflation ran at 1.8 percent in October 2006, with unemployment at 7.9 percent.

As in the United States, the EU economy is heavily weighted towards the service sector which accounts for over two thirds of GDP. Agriculture accounts for some 2.2 percent of GDP in the EU, as opposed to 1 percent in the United States. The agricultural labor force represents 4.4 percent of the total population in the EU, and 0.07 percent in the United States.

Intra-EU trade in goods outweighs EU trade with third countries. However, the United States and the EU share the largest bilateral trade and investment relationship in the world, accounting for $1.3 trillion in 2004, and employing between 12 and 14 million people.

The EU is a single market with a common trade policy, a Common Agricultural/Fisheries Policy and a Regional Policy to assist underdeveloped regions. In 2002, it introduced the euro, currently adopted by 13 Member States[1].

Agricultural trade and farm policy

Despite frequent disputes, bilateral agricultural trade between the United States and the EU-25 totaled $25.7 billion in financial year 2006. The EU is the fourth largest export market for U.S. agricultural products after Canada, Mexico and Japan. For the seventh year in a row, the agricultural trade balance continued in the EU's favor ($16.5 billion vs. $9.2 billion). U.S. demand for European wine, beer, cheese, olive oil, essential oils and other processed products was again strong. U.S. exports in FY 2006 were up 3 percent from year-ago levels, reflecting increased demand for tree nuts and seafood, both sectors having the highest export levels since at least FY 1970, and offsetting a drop of 52 percent for soybeans resulting from increased EU imports from Brazil. The main U.S. products imported by the EU in value are tree nuts, seafood, tobacco, soybeans, wine and beer, and animal feed. Consistent with the global trend, the overall market for high-value consumer-oriented food products is the most promising growth area, with U.S. exports of these products to the EU reaching $3.6 billion, up 12 percent from FY 2005.

France is the biggest agricultural producer in the EU, accounting for around 19.6 percent of EU agricultural production, followed by Italy at 13.8 percent with Germany and Spain both at 13.3 percent in 2004. More than half EU farms are smaller than 12 acres. The largest farms of 124 acres or more represent only 8 percent of the total. In contrast, almost half of all farms in the United States are 140 acres or larger. Farms in Western Europe tend to be larger than those in the newer Member States from Central and Eastern Europe.

The Common Agricultural Policy (CAP) was proposed by the European Commission in 1960 further to the signing of the Treaty of Rome in 1957. The initial objectives of the CAP were set out in Article 39 of the Treaty as being:

- to increase agricultural productivity by promoting technical progress and ensuring the optimum use of the factors of production, in particular labor;
- to ensure a fair standard of living for farmers;
- to stabilize markets;
- to assure availability of supplies;
- to ensure reasonable prices for consumers.

Within this framework, the CAP began by subsidizing production of basic foodstuffs in the interests of self-sufficiency and food security. The focus has changed towards farming decisions being influenced by market signals through reform attempts including Agenda 2000 and the 2003 Reform, as subsidies on quantities produced have largely been replaced by direct payments. These are aimed at guaranteeing farmers a reasonable income, and are often linked to compliance with broader objectives including standards on food safety, animal and plant health, animal welfare and the preservation of traditional rural landscapes. The European Commission's 'one vision, two steps' approach to the CAP implies a first step being a 'health check' or mid-term review of the arrangements scheduled for 2008, and a second step of a further examination post-2013 financial perspectives. The health check has been described by Agriculture Commissioner Mariann Fischer Boel as being an opportunity to examine how the aims of the 2003 Reform can most effectively be achieved consequent to

[1] Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Slovenia and Spain

EU enlargement and other changes. Her vision of the post-2013 CAP is one in which direct aids continue to play a significant part, although their form and level would have to be assessed and duly justified to the EU taxpayer. The most significant action is likely to be within the Rural Development Policy (the second pillar of the CAP).

The CAP is the EU's most fully integrated policy, and takes a large share of the EU budget. Nevertheless, this has fallen from a peak of almost 70 percent of the EU budget in the 1970s to 34.9 percent of the budget during the 2007 – 2013 period, reflecting a shift of some agricultural spending into rural development, which will take 9.7 percent of the budget over the same period.

Decision-making procedures

In general, the European Commission proposes new legislation, and the Council and Parliament pass the laws. The rules and procedures for EU decision-making are laid down in the treaties, and every proposal for a new law has its legal basis on a specific treaty article. This determines which legislative procedure must be followed. The three main procedures are consultation, assent and co-decision.

Under the **consultation procedure**, the Council consults Parliament as well as the EESC and the CoR. Parliament can approve the Commission proposal, reject it, or ask for amendments. If Parliament asks for amendments, the Commission will consider the changes suggested, and if it accepts any suggestions, will send the Council an amended proposal. The Council either adopts the amended proposal or amends it further. If the Council amends a Commission proposal, it must do so unanimously.

The **assent procedure** implies that the Council has to obtain the Parliament's assent before decisions are taken. The procedure is similar to the consultation procedure, except that Parliament can not amend a proposal. Rather, it must either accept or reject it. Acceptance requires an absolute majority of the votes cast.

In the **co-decision procedure**, Parliament does not merely give its opinion, but shares legislative power equally with the Council. If Council and Parliament can not agree on a piece of proposed legislation, it is put before a conciliation committee composed of equal numbers of Council and Parliament representatives.

Excepting only agriculture and competition policy, the co-decision procedure applies to all the areas[2] where Council may take decisions by qualified majority, including SPS measures. According to the qualified majority voting system, each Member State has a fixed number of votes that is roughly determined by its population but is progressively weighted in favor of the smaller countries[3]. To pass a vote by qualified majority, the proposal must be supported by 255 votes from a total of 345 votes, must be backed by a majority of Member States, and the countries supporting the proposal must represent at least 62 percent of the total EU population.

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[2] Prohibition of discrimination, free movement of EU citizens and workers, recognition of qualifications, visa procedures, transport, equal pay, Social Fund, vocational training, consumer protections, trans-European networks, Regional Development fund, framework research programs, environmental protection, development, promotion of employment, customs cooperation, social policy, health protection, veterinary and plant health measures, access to documents, combating fraud, statistics, data processing

[3] Germany, France, Italy and UK have 29 votes each; Spain and Poland have 27 votes each; Romania 14 votes; Netherlands 13 votes; Belgium, Czech Republic, Greece, Hungary and Portugal have 12 votes each; Austria, Bulgaria and Sweden have 10 votes each; Denmark, Ireland, Lithuania, Slovakia and Finland have 7 votes each; Cyprus, Estonia, Latvia, Luxembourg and Slovenia have 4 votes each; Malta 3 votes

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